United Nations A/C.5/57/14

General Assembly

Distr.: General
14 October 2002

Original: English

Fifty-seventh session
Fifth Committee
Agenda item 112
Programme budget for the biennium 2002-2003

Experience in applying the revised administrative arrangements approved by the General Assembly for the International Trade Centre (United Nations Conference on Trade and Development/World Trade Organization) in its decision 53/411 B

Report of the Secretary-General*

Summary

The Advisory Committee on Administrative and Budgetary Questions, in its report to the General Assembly on the proposed programme budget outline for the biennium 2002-2003 for the International Trade Centre (UNCTAD/WTO) (A/55/797), requested that information be provided on experience in applying the revised administrative arrangements between the United Nations and the World Trade Organization, as set out by the General Assembly in its decision 53/411 B (A/55/7/Add.10, para. 6.) The new arrangements concerned the formulation and approval process of the Centre's budget by its two parent organizations.

The present report describes the way in which the new arrangements were implemented in the context of the preparation of the programme budget for the biennium 2002-2003.

* The delayed submission is attributed to the consultations required with the International Trade Centre to finalize this report.

02-63748 (E) 221002

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The report concludes that the application of the new arrangements has resulted in an additional workload for the secretariats of the International Trade Centre, the United Nations and the World Trade Organization, given the need by the governing bodies of the two organizations to continue to review the budget proposals for the Centre in accordance with their respective budget cycle and in a format specific to each organization. The report recommends that the secretariats of the two parent organizations submit joint proposals to their respective legislative bodies on ways to streamline the number of budget documents produced and to simplify the budgetary approval process for the Centre to the maximum extent possible.

I. Introduction

1. In the course of the review of the programme budget outline for 2002-2003 for the International Trade Centre (ITC) (A/55/797), the Advisory Committee on Administrative and Budgetary Questions, in its report to the General Assembly, requested that information be provided on experience in applying the revised administrative arrangements between the United Nations and the World Trade Organization (WTO), as set out by the General Assembly in its decision 53/411 B of 18 December 1998 (A/55/7/Add.10). That request was endorsed by the Assembly in its decision 55/483 of 14 June 2001. The present report aims to respond to the request.

II. Budgetary arrangements

2. The United Nations and WTO contribute jointly and equally to the financing of the regular budget of ITC. ITC is a section of the United Nations biennial programme budget and also a section of the WTO annual regular budget. As such, ITC is subject to the different budgetary cycle and review process of each parent organization.

3. Since the creation of ITC as a joint body of the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT) in 1968 and until 1995, GATT relied upon the General Assembly's scrutiny of and decisions on the ITC budget estimates and its budget performance reports, and accepted its share of the ITC budget and expenditures on the basis of the decisions of the Assembly. Over that period, GATT periodically experienced difficulties in its review and approval of the ITC budget, owing to the unsynchronized budget cycles of GATT and the United Nations and differences in the budgetary processes and methodology used, including the application of different exchange rates and different statistical data on inflation.

4. Further to the creation of WTO, and within the framework of the review of its relationships with the United Nations, the General Council of WTO in 1995 requested the WTO secretariat to negotiate with the United Nations Secretariat revised budgetary arrangements with regard to ITC.

5. The General Council of WTO determined that the control function on ITC budgetary procedures exercised by GATT at one time in the past, should be restored and assumed by WTO along the following lines:

> "The ITC budget will be subject to the same preparation and reporting procedures as the GATT/WTO budget itself.
>
> "It will cover a calendar year period and will be presented in Swiss francs, the currency in which the bulk of expenditures is made.
>
> "It will be formulated by the ITC secretariat using exchange rates and inflation factors to be decided jointly between the ITC and GATT/WTO secretariats in consultation with the United Nations."[1]

6. Subsequent to the request by the General Council of WTO, various scenarios concerning these arrangements were discussed and reviewed between the two organizations in the course of 1995 and 1996. Further to these consultations, the

Advisory Committee on Administrative and Budgetary Questions suggested simplified arrangements which, in its view, both responded to the concerns expressed by the General Council of WTO in 1995 and enabled the United Nations to retain its role in the financial administration of the Centre (see A/53/7/Add.3). These arrangements were endorsed by the Joint Advisory Group of ITC, and subsequently approved by the General Assembly (decision 53/411 B) and the General Council of WTO (see WT/BFA/43, and WT/GC/28, para. 30).

III. Budgetary process for the biennium 2002/2003

7. The new arrangements became effective for the biennium 2000-2001. In order to illustrate the new process and how the arrangements have been implemented, the table below describes in detail the steps followed for the preparation of the programme budget for the biennium 2002-2003.

Steps/ actions	*Approved procedure*	*United Nations implementation in 2001*	*WTO implementation in 2001*
1.	In May of the year preceding the United Nations financial period, ITC would submit to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, its budget outline for the first year of activities for the coming biennium with a projection of requirements for the second year. The annualized requirements would be presented in Swiss francs (A/53/7/Add.3, para. 11 (a)). An initial fascicle of the United Nations proposed programme budget based on that outline would be presented to the General Assembly in United States dollars as part of the overall submission of the proposed programme budget (A/53/7/Add.3, para. 11(a)).	Owing to the need for the United Nations to present a consolidated budget for the United Nations Secretariat in March of the year preceding the United Nations financial period, ITC had to submit to the United Nations Secretariat, by the end of January 2001, its proposed budget level for the biennium 2002-2003. This submission was presented to the Committee for Programme and Coordination, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly in two documents: (a) A simplified fascicle for the ITC section containing preliminary estimates of the United Nations share for the biennium in United States dollars and an indication of the Swiss franc equivalent (A/56/6 (Section 11 B)). This fascicle was reviewed by the Committee for Programme and Coordination in June 2001; (b) An ITC budget outline in Swiss francs showing the	As a consequence of the requirements of the United Nations, an outline (ITC/BUD/38) was submitted in January. This first submission was aimed at meeting the request of WTO members to be informed in advance of the proposed course of action with the United Nations and to have an opportunity to comment on it. The WTO Committee on Budget, Finance and Administration took note of the outline.

Steps/actions	Approved procedure	United Nations implementation in 2001	WTO implementation in 2001
		annual contribution of each organization (A/55/797). In May 2001, the Advisory Committee on Administrative and Budgetary Questions considered the outline (A/55/7/Add.10).	
2.	On the basis of the recommendations of the Advisory Committee, the General Assembly in the spring of that year, would approve in Swiss francs the level of the ITC outline for the biennial period concerned (A/53/7/Add.3, para. 11 (a)).	In June 2001, the General Assembly took note of the outline (decision 55/483) and concurred with the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions.	
3.	Simultaneously, ITC would submit its outline in Swiss francs to the WTO Committee on Budget and Finance for its approval (A/53/7/Add.3, para.11 (b)).		This second submission to WTO (ITC/BUD/39), was identical to that submitted in January. The WTO Committee on Budget and Finance took note of the outline (see WT/BFA/53).
4.	Taking into account the legislative decisions of the United Nations and WTO, ITC would submit its proposed programme budget to the General Assembly and to the General Council of WTO in the autumn of the year preceding the United Nations financial period. The submission to the General Assembly would be in the form of a revised fascicle of the programme budget of the United Nations in the autumn of the year preceding the United Nations financial period (A/53/7/Add.3, para. 11 (c)).	Given the different requirements and different formats of the budget documents of the two parent organizations, ITC submitted in 2001 its budget in Swiss francs in two separate documents and different formats, one to WTO (ITC/BUD/40) and one to the United Nations (A/56/6/Add.1 (Section 11 B)), with identical total figures for the biennium. While the fascicle submitted to the United Nations was for the entire 2002-2003 biennium, the document submitted to WTO contained the detailed figures for 2002 with estimated expenditures for 2003. In 2002, ITC will submit another budget to WTO for 2003.	
5.	The proposed programme of work of ITC would be reviewed by the intergovernmental bodies concerned (A/53/7/Add.3, para. 11 (d)).	The ITC programme of work and budget was reviewed by the Advisory Committee on Administrative and Budgetary Questions (A/56/7/Add.3) and the Fifth Committee in	The ITC budget was reviewed and approved by the WTO Committee on Budget and Finance as part of the WTO budget for 2002.

Steps/ actions	Approved procedure	United Nations implementation in 2001	WTO implementation in 2001
		December 2001 and approved by the General Assembly as part of the United Nations programme budget for 2002-2003.	
6.	ITC would continue to submit its annual budget proposal in Swiss francs to WTO, in accordance with the established procedures for submission and reporting of the WTO budget and taking into account the approved level of the United Nations share of the ITC budget.		In May 2002, ITC submitted a budget outline for 2003. This procedure is, however, not required by WTO and is likely to be suppressed in the future in the non-United Nations budget years. In the autumn of 2002, ITC will submit its fully fledged proposed budget for WTO for 2003 in accordance with the WTO format.

8. As shown in the table above, the process for the approval of the ITC component of the United Nations programme budget for the biennium 2002-2003 and of the annual budgets of WTO for 2002 and 2003 resulted in numerous documents having to be produced by ITC, and translated and distributed by the United Nations and WTO. In the course of the discussions held between 1995 and 1998, there was a general understanding that the need for ITC to prepare two separate budgets in two different formats should be avoided to the maximum extent possible. Experience has demonstrated, however, that the revised arrangements have not done away with the need for ITC to prepare two separate budget documents. An alternative arrangement, which could be considered for the future, might be based upon a single programme budget document to be prepared for both organizations, using in each case a short transmission document that highlights the specific funding requirements for each organization. The number of steps in the budgetary approval process also appears to be excessive.

9. The Board of Auditors, in a recent management letter, drew attention to this and pointed out that the submission of the present report would be an opportunity to reflect on such cumbersome duplication of procedures.

10. In its report on the ITC proposed programme budget for the biennium 2002-2003 (A/56/7/Add.3), the Advisory Committee on Administrative and Budgetary Questions noted that the proposed budget was presented in accordance with the procedure and administrative arrangements that it had outlined and recommended in paragraph 11 of its report A/53/7/Add.3, and had been endorsed by the General Assembly in its decision 53/411 B.

11. In reviewing the programme budget proposals for ITC, several delegations at meetings of the Committee for Programme and Coordination expressed their regret that, as a consequence of the above-mentioned arrangements, the detailed proposed programme budget for ITC would not be available until later in 2001. The Committee, however, did not reflect this concern in its conclusions and

recommendations. In meetings of the Fifth Committee, delegations expressed concern that the ITC proposed programme budget was submitted late. Subsequently, that concern was reflected in paragraph 11 of General Assembly resolution 56/253 of 24 December 2001, on questions relating to the proposed programme budget for the biennium 2002-2003, in which the Assembly noted with concern the late submission of section 11 B, International Trade Centre (UNCTAD/WTO), of the proposed programme budget for the biennium 2002-2003. The fact that the General Assembly only took note of the lateness of the submission but did not request that the submission be made available at an earlier date in the future, is perhaps a recognition that the circumstances of the two organizations concerned make the full synchronization of legislative processes an impossibility.

12. The revised administrative arrangements for ITC reflect the will of the governing bodies of both organizations to maintain their control and authority in respect of their share of resources assigned to ITC. In his report entitled "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1), the Secretary-General stated that:

> "... the planning and budgeting cycle is fragmented, prone to duplication and burdened with excessive paperwork ... Member States and the Secretariat spend inordinate amount of time and scarce resources on this process."

13. The ongoing implementation of results-based budgeting in the United Nations Secretariat and the possible implementation of a similar system by WTO may lead to additional duplicative reporting requirements for ITC. If this were to be the case, ITC would necessarily have to divert resources from its operational activities in order to comply with the additional administrative processes if no changes to the current arrangements are introduced.

IV. Conclusion and recommendations

14. **The revised arrangements adopted in 1998 were implemented in accordance with the recommendations of the legislative bodies. Owing to the different requirements of each parent organization, these arrangements have resulted in an additional workload for ITC, the United Nations and WTO.**

15. **The General Assembly may wish to take note of the present report and to request the Secretary-General to initiate consultations with the WTO secretariat with a view to proceeding, in consultation with ITC, to a joint review of these arrangements and the submission to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, and to the General Council of WTO, of joint proposals for a possible reduction in the number of budgetary documents to be prepared and the simplification, to the maximum possible extent, of the current budgetary approval process for the ITC programme budget.**

Notes

[1] WT/BFA/2 L7626 of 31 March 1995, para. 1; also circulated as attachment III to A/C.5/52/45.